



HUMBOLDT BAY MUNICIPAL WATER DISTRICT
828 7th Street, Eureka



Minutes for Meeting of Board of Directors

March 9, 2016

A. **ROLL CALL**

President Hecathorn called the meeting to order at 9:03 a.m. Director Rupp conducted the roll call. Directors Hecathorn, Laird, Rupp, Sopoci-Belknap and Woo were present. General Manager Paul Helliker, Superintendent Dale Davidsen, Business Manager John Friedenbach, and Board Secretary Sherrie Sobol were also present. John Winzler and Pat Kaspari of GHD and Donna Taylor and Jeff Trump of Hunter, Hunter and Hunt were also present for a portion of the meeting.

B. **FLAG SALUTE**

President Hecathorn led the flag salute.

C. **ACCEPT AGENDA**

On motion by Director Rupp, seconded by Director Sopoci-Belknap, the Board voted 5-0 to accept the agenda.

D. **MINUTES**

On page three of the minutes under "Transport" the Board requested the last six words be stricken. On motion by Director Sopoci-Belknap, seconded by Director Woo, the Board voted 5-0 to approve the minutes as amended.

E. **PUBLIC COMMENT**

No public comment was received.

F. **CONSENT AGENDA**

On motion by Director Rupp, seconded by Director Laird, the Board voted 5-0 to approve the Consent Agenda. President Hecathorn noted that the article on Sea Level referred to Director Laird as the "North Coast's leading sea level research specialist."

G. **CORRESPONDENCE**

Notice to Water Right Permittee concerning measuring and reporting diversions

Mr. Helliker shared the letter from the State Water Resources Control Board regarding compliance with reporting on diversion of water. The letter notes that in the future, written notification of when reporting is due will not be provided. Mr. Helliker noted the District already reports and has it on a schedule.

H. **CONTINUING BUSINESS**

PG&E Small Generator Interconnection Agreement

Mr. Helliker summarized previous activities up to this point regarding the Small Generator Interconnection Agreement (SGIA). At the January Board meeting, the Board approved the full contract with JTN to complete the interconnection agreement and negotiate a ReMAT contract with PG&E. JTN was successful in negotiating a SGIA that requires no payments of additional fees. The agreement is a standard CA Public Utilities Commission –approved contract that has only a few sections in which specific information from the small generator can be inserted.

Mr. Helliker shared the email from Mr. Henwood of JTN stating the agreement has a



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number of provisions advantageous to the District. Advantages include: 1) the agreement is a standard document; 2) it recognizes that HBMWD paid the one-time O&M fee so there is no ongoing charge; 3) the agreement is evergreen in the District's favor; 4) no additional requirements are in place on HBMWD by the agreement at this time; and 5) PG&E has verified the existing PPA's power purchase provision will remain intact after the SGIA is executed. Given these reasons, Mr. Henwood believes it is in the District's interest to execute the agreement at this time, locking in the interconnect mechanism. Mr. Helliker stated the attorney has reviewed the agreement as well and staff recommends the Board authorize approval of the Small Generator Interconnection Agreement. On motion by Director Woo, seconded by Director Rupp, the Board voted 5-0 to approve the PG&E SGIA.

Water Conservation Regulations

Mr. Helliker stated he and other water agency representatives had a conversation with the State Water Board staff yesterday regarding the extension of water conservation regulations adopted by the State Water Board on February 2, 2016. On January 28, 2016, the District submitted comments recommending the State Water Board rescind the conservation regulations in areas where no drought conditions exist, including ours, due to the fact that precipitation was at 150% of normal and Ruth Reservoir began spilling in December and has continued to do so. Marin and Sonoma agencies have also requested significant reductions in the requirements. Del Norte agencies have requested to join us in the efforts to rescind these regulations on the north coast. Mr. Helliker joined the Del Norte agencies on a conference call with Senator McGuire on February 19m who has offered to organize a meeting with the State Water Board members prior to April/May meeting to advocate our position. Mr. Helliker stated he briefed Assemblymember Wood's staff on the issue and requested a letter of support in advance of the State Water Board meeting. He will also be seeking letters of support from the Board of Supervisors in Del Norte and Humboldt County, the Chambers of Commerce and others.

Update on Cannabis activities

As reported last month, Mad River Alliance, with help from other agencies, organized six compliance workshops, "Grow Green Grow Legal". Mr. Helliker stated the first workshop was held on February 28 in Blue Lake and was well attended with around seventy participants. He noted the District's contribution was well used in providing workbooks. Each participant received a workbook that provided a compilation of regulatory requirements.

Mad River Cleanup

Mr. Helliker shared that Mad River Alliance will be hosting a Mad River cleanup and will be removing garbage from along the river in April.

Water Resource Planning

Local Sales

Mr. Helliker stated he attended a meeting regarding the Local Coastal Plan (LCP). The Harbor District is working with the County to update the LCP and adopt an ordinance that would allow the Harbor District to lease facilities to tenants who do not qualify as "coastal



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dependent industrial”, until such time that tenants who do qualify show up and request space.

Director Rupp stated siltation in the harbor is a big issue. The harbor is a valuable asset and should not be lost. He realizes this is not the District’s purview, but wants to bring awareness of the situation. Director Laird added a recent assessment of the harbor facilities showed that only five of the ten facilities are active.

Mr. Wheeler of McKinleyville CSD contacted Mr. Helliker to let him know about a proposed fiber optic data link project on the 299 corridor. The data center for the project requires significant cooling which means they could be a potential water supply customer. Mr. Helliker stated he will speak with the company but it appears they are considering locating the data center in Trinity County.

Mr. Helliker informed the Board he will meet with partners between Rio Dell and Trinidad on March 23 to organize a grant proposal to conduct the next level of planning to an expansion of the transmission system both north and south.

Transport

Mr. Helliker shared that Bob Simpson contacted him regarding potential partners who would like to discuss the possibility of water shipment terminal. Mr. Helliker informed him that whatever proposal he does put forward will go before the Board.

Instream Flow

The District applied for a grant with the Wildlife Conservation Board and the Fisheries Restoration Grant Program, neither of which were selected for funding in 2016. Mr. Helliker shared some of feedback received as to why it was not selected. He noted the next deadline for FRGP funding is March 11 but suggested the District wait and submit a proposal to the Coastal Conservancy in the fall given that it will have a better chance at being successful. The Board concurred.

I. NEW BUSINESS

Resolution 2016- 1 Recognizing and Honoring the service of Director Sopoci-Belknap

Director Rupp read Resolution 2016-01 Recognizing and Honoring the service of Director Sopoci-Belknap. On motion by Director Rupp, seconded by Director Woo, the Board voted 5-0 by roll call vote to approve Resolution 2016-1. Director Sopoci- Belknap thanked the Board for the acknowledgement and her going away event earlier. The Board stated she will be missed and wished her well in her new endeavors.

Assistant Secretary /Treasurer

Director Sopoci-Belknap is the current Assistant Secretary/Treasurer and a new one must be appointed since she is leaving the Board. On motion by Director Rupp, seconded by Director Laird, the Board voted 5-0 appoint Director Woo as the Assistant Secretary/Treasurer.

AB 2243 Medical Cannabis: Taxation (Wood) and SB 987 Medical Cannabis Value Tax (McGuire)

Mr. Helliker shared information on Assembly Bill 2243 and Senate Bill 987, both related to taxes on medical marijuana. Assemblymember Jim Wood introduced AB 2243 to create the



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Medical Cannabis Tax Law. This would impose a tax on licensed cultivators with rates varying for medical cannabis flowers, medical cannabis leaves, and immature medical cannabis plants distributed to a licensed distributor in California. Senator McGuire introduced SB 987, the Marijuana Value Tax Act. This would impose an excise tax on the consumption or other use of medical marijuana purchased from a retailer at the rate of fifteen percent of the sales price of the medical marijuana. Both bills included allocation of the collected funds. The bills require a two-thirds vote in the legislature to pass and indications are that they will pass. Mr. Helliker recommended supporting the bills given that there are funds for law enforcement and remediation. The Board discussed this and expressed concerns with the 20% allocation of funds to the Department of Parks and Recreation in SB 987. Director Laird stated he is having trouble supporting this. There should be a distinction made between recreational and medical use. He believes medical marijuana should not be taxed. Mr. Helliker noted that recreational use of marijuana is not legal in the State of California. Director Rupp stated he understands Director Laird's concerns, however for the greater good, the District should support the bills. The money would allow for repairs to the watershed caused by damaging grows and allow for enforcement. Director Rupp said he too is concerned with the 20% allocation to Parks and Recreation. He would be more comfortable with a 10% allocation.

On motion by Director Rupp, seconded by Director Sopoci-Belknap, the Board voted 5-0 to support the bills with a request for a lower allocation to the Parks called out and concern regarding medical versus recreational taxes.

J. **REPORTS (from Staff)**

Engineering

Ranney Collector 1 Lateral Replacement Project (partially funded by Prop 84 NCIRWMP grant)

Mr. Kaspari said there is nothing new to report. He is still waiting for the contractor's work schedule.

Blue Lake-FG CSD Water Line Replacement over Mad River (funded by Prop 84 NCIRWMP grant and FEMA Hazard Mitigation Grant)

The draft feasibility study is complete. It appears the under the river method will be more economical and has other advantages as well, including avoidance of significant NEPA and CEQA requirements. There are also some disadvantages and Mr. Kaspari will provide and discuss the finalized report next month.

Caltrans Fracture Critical Inspection of Matthews Bridge

Mr. Kaspari discussed the Cal Trans report on the Ruth Dam Bridge. Cal Trans conducted their bi-annual inspection of the bridge and noted all looks good with the exception of the butt welds at the bottom flange transitions and they recommended continue monitoring. He stated engineer O'Gorman inspected it and did not see a major issue at this point and will continue to monitor it. The welds are the original from 1961 when the bridge was built.



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FEMA Hazard Mitigation Grant (HMG) and Pre-Disaster Mitigation (PDM) Grant Notice of Intent submittals

The District submitted three HMG Notice of Intent projects: the Surge Tower, 12Kv Switchgear and the left Spillway Wall Retrofit. CalOES has invited HMG submittal application grants on all three of these.

Prior to receiving the CALOES responses to our HMG NOI's, the District was informed that the FEMA PDM NOI period was opened. Staff consulted with GHD and agreed that an NOI for the 12kV Switch Gear relocation should be submitted under the PDM program. This was done. CalOES subsequently invited a PDM grant application submittal for this project. Staff recommends that the HMG grant application for the Surge Tower and the PDM grant application for the 12kV Switch Gear be prepared. The total cost to prepare a full scale application is approximately \$20,000. Staff recommended a cost contingent fee arrangement for the grant preparation such that the District pay up to \$10,000 for the grant preparation if the grant application is unsuccessful and up to \$20,000 if the grant application is approved. Staff recommended not pursuing the Spillway Wall retrofit grant application since the wall being monitored and shows no indications of movement.

FERC Part 12

Mr. Helliker stated staff held a conference call with FERC representatives, Mr. Ahlgren who is the District's independent consultant doing the FERC Part 12 report, and Mr. Rettberg, the District's Chief Dam Safety Engineer. The call went well and the FERC Part 12 report is progressing.

Coonrod Development

Mr. Coonrod has property in Arcata that is over the District's transmission lines. He would like to develop the property and submitted preliminary plans. The District responded and noted it has a floating easement over the property, but stated that we would consider a fixed easement. Mr. Coonrod has not responded to the offer to negotiate.

Financial

Financial Report

Director Rupp provided the February Financial Report. He stated he reviewed the bills and there are no discrepancies. On motion by Director Rupp, seconded by Director Sopoci-Belknap the Board voted 5-0 to approve the February 2016 financial statement & vendor detail report in the amount of \$176,479.66.

Initial budget estimate for 2016-17

Mr. Friedenbach stated the budget is in the early preliminary stage. He is working on getting the numbers as close as possible to share with the Municipal Customers to allow them time to get their own budget planning going, including consideration of Proposition 218 requirements if needed. He shared the key assumptions by category. Director Rupp stated he would like to keep the cost increase to ten percent or less. If the bulk of the budget is project driven, he understands the projects need to be done. Mr. Friedenbach responded the budget was at a fifteen percent increase, but after consulting with Mr. Davidsen and Mr. Kaspari, it is now down to twelve percent with reserve additions at \$200,000. Mr. Helliker noted that if the



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District receives financing, it will help amortize costs over several years. This is not an option for the 2016/17 budget but could factor into future budgets.

Mr. Friedenbach shared next steps including sharing the preliminary FY 2016/17 draft budget with the Municipal Customers at the upcoming Muni Meeting. Staff will continue to refine the draft budget and present components over the next several months with final adoption scheduled at the July Board meeting.

FY 2014/15 Audit and Financial Statements

Directors Rupp and Woo reported out on the Audit Committee meeting. They met with the auditors and the bottom line is it was a clean audit. Director Rupp noted there were some non-material concerns related to the transition from cash to accrual accounting. Director Woo added the "mis-statements" could have been avoided by having a dedicated, high-level accountant on staff, which is not feasible. Staff is doing a *good* job. Mr. Friedenbach concurred and reiterated the District did receive a clean audit. He added that this is the third year of a three-year contract with Hunter, Hunter and Hunt and the District has been very pleased with their work. Director Rupp and Mr. Friedenbach noted the audit is later than normal this year and is due to not only to a death in the family of a key auditor that resulted in a staff change, but it is also the first time a Federal Single Audit was required as well as the accounting changes promulgated by GASB 68.

Mr. Friedenbach introduced Donna Taylor and Jeff Trump of Hunter, Hunter and Hunt who provided the District's FY2014/15 audited financial statements and report. Ms. Taylor stated Mr. Trump has prior experience with the Single Audit and has been with their firm for two years now. Ms. Taylor discussed the three reports: 1) the Basic Financial Report, 2) the Independent Auditors' Report on Internal Control over Financial Reporting, and 3) the Independent Auditors' Report on Compliance for Each Major Program And on Internal Control over Compliance required by OMB Circular A-133. The findings that did turn up were not related to day-to-day routine activities, but related to an unusual transaction that involved an asset transfer to another Municipality. She stated that, unless the District has a specialist on staff, this will happen. She stated all findings were corrected and the staff are very professional and do a good job. Mr. Trump discussed the findings in detail and noted the District staff had a lot of extra work created given the numerous grant projects and millions of dollars. He stated the District staff did a good job and he was impressed. Director Rupp concurred staff did an excellent job.

Mr. Friedenbach referred to Note 17 in the Audited Financial Report. CalOES conducted an audit on the Techite project in 2012. In January 2016, CalOES issued a draft audit letter questioning \$378,404 of costs. The District responded and just received a letter back stating there is no financial finding. There are some administrative items that will be addressed as a result of the CalOES audit, however there is no money due back to CalOES.

On motion by Director Rupp, seconded by Director Woo, the Board voted 5-0 to approve the FY 2014/15 Audit and Financial Statements. They thanked the auditors for their work and report.



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Operations

Mr. Davidsen provided the February Operational Report. He reviewed the river and lake conditions and noted the lake is still full. Maintenance crews replaced the gates at the Industrial Water Reservoir site and welded them on so they can't be stolen again. Someone hit the fence the around the Morris Booster Pump Station and crews repaired that as well.

The SB 198 Safety Meeting was held and the new safety committee members this year are Carol McKibben and Tim Farrell. Training in February included CL2 leak response training, and three employees attended California Environmental Reporting system training. The annual Hearing and Respiratory Exams were conducted at Mad River Occupational Health. The exams are required for employees that could be required to use respirators and provides a good baseline of information to help safeguard the employees health.

K. DIRECTOR REPORTS & DISCUSSION

1. General

Mr. Helliker stated the American Society of Civil Engineers will be releasing the 2016 Report Card for Humboldt County's Water Infrastructure. The event will take place at Essex on March 24 and President Hecathorn will be there to represent the District.

2. ACWA – JPIA

Director Rupp stated the Finance Committee met and are preparing for the upcoming budget.

3. ACWA

No reports.

4. Organizations on which HBMWD Serves: RCEA, RREDC, LAFCo *

RCEA

Director Woo reported out on the RCEA meeting. The big topic was Community Choice Aggregation (CCA) and numerous public attended the meeting. Some were concerned about the power mix, in particular bio – mass power, being purchased and the RCEA board made it clear they were not determining the power mix at this point. Others noted that these power plants are an important component of a strategy to improve forest health and reduce fire risk, as they process the materials removed from forests.

Mr. Helliker shared with the Board that our local biomass plants typically use mill waste as fuel, and forest thinning materials are a minimal part of the fuel source. Director Woo concurred and noted the area has infrastructure in place to deal with the biomass from the mills.

RREDC

Director Rupp reported out on the RREDC meeting. Topics included changes to the Coastal Zone and PenAir, the airline that will begin service in April with flights to Portland and Redding. They also received a presentation from Randy Weaver on the Humboldt County Economic Overview, which is in the Board Packet. He noted it was a very interesting presentation.



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ADJOURNMENT

The meeting adjourned at 12:08 pm. It will reconvene at 5:30 pm for a public hearing on retail rates.

L. **RECONVENE FOR PUBLIC HEARING ON RETAIL SYSTEM WATER RATES**

The meeting reconvened at 5:30 pm and the Public Hearing was opened.

1. Staff presentation

Staff provided a presentation on the retail rate increase process and methods used to determine the rates.

2. Public comment

No public attended the meeting, therefore no public comment was received.

3. Consider Prop. 218 protests as necessary

Mr. Helliker state the Proposition 218 notice was mailed to customers and property owners (in the appropriate timeline) and two public workshops were held. There were zero attendees at the Eureka workshop and six attendees at the Samoa workshop. In order for a rate protest to be successful, 103 protest letters are needed. The District received one protest letter.


4. Board discussion and Resolution 2016-02 changing rates and service charges for retails water service

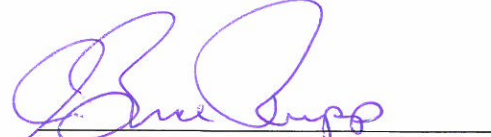
The Board discussed rate increases and phasing in the Fairhaven increase over a five-year period to lessen the impact. They understood that rates needed to be increased and appreciated the manner in which it was done. Director Rupp read Resolution 2016-02 Changing Rates and Service Charges for Retail Water Customers. On motion by Director Laird, seconded by Director Woo, the Board voted 4-0 by roll call vote to approve the resolution. Director Sopoci-Belknap was not present. The Public Hearing was closed.

ADJOURNMENT

The meeting adjourned at 5:41 pm.

Attest:


Barbara Hecathorn, President


J. Bruce Rupp, Secretary/Treasurer